

# POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

OF

## HINDUSTAN OIL EXPLORATION COMPANY LIMITED

### SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("the Act") read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended from time to time, Hindustan Oil Exploration Company Limited ("the Company") has formulated the Policy on materiality of Related Party Transactions and dealing with Related Party Transactions ("the Policy").

This Policy regulates all transactions between the Company and its Related Parties.

The Board of Directors of the Company on recommendation of the Audit Committee of the Company shall review the Policy [at least once in three years]<sup>1</sup> and may amend the same from time to time.

### DEFINITIONS

All the words and expressions used in this Policy, unless defined hereinafter, shall have the meaning assigned to such term in the Act and the Rules made thereunder and the SEBI Listing Regulations, as amended from time to time.

- i. **"The Act"** means the Companies Act, 2013, together with the rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force.
- ii. **"SEBI Listing Regulations"** means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended
- iii. **"Company"** means Hindustan Oil Exploration Company Limited.
- iv. **"Related Party"** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and any person or entity belonging to the promoter or promoter group of the listed entity holding 20% or more of shareholding in the Company.
- v. **"Related Party Transaction"** means <sup>1</sup>[a related party transaction as defined under section 188 of the Companies Act, 2013 and under Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015] and a **"transaction"** with a related party shall be construed to include a single transaction or a group of transactions in a contract.

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#### Amendment:

1. Definition of related party transaction amended to include the transactions defined under the Act and SEBI Listing Regulations

- vi. **“Material Related Party Transaction”** means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity.
- vii. **“Arm’s Length Transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- viii. **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association.

## **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

### **Audit Committee:**

All the transactions which are identified as Related Party Transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm’s length price, would require approval of the Board or of shareholders as discussed subsequently.

The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

**Board of Directors:**

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

**Shareholders:**

<sup>2</sup>[Related Party Transaction as defined under section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 which require shareholders' approval shall be made by way of passing an ordinary resolution.]

In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

**REPORTING AND DISCLOSURES**

The Company shall:

- a) disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- b) disclose on a quarterly basis, details of all material transactions with related parties along with the compliance report on corporate governance filed with the stock exchanges under SEBI Listing Regulations.
- c) submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

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**Amendment:**

2. Amended in line with the Act and SEBI Listing Regulations